

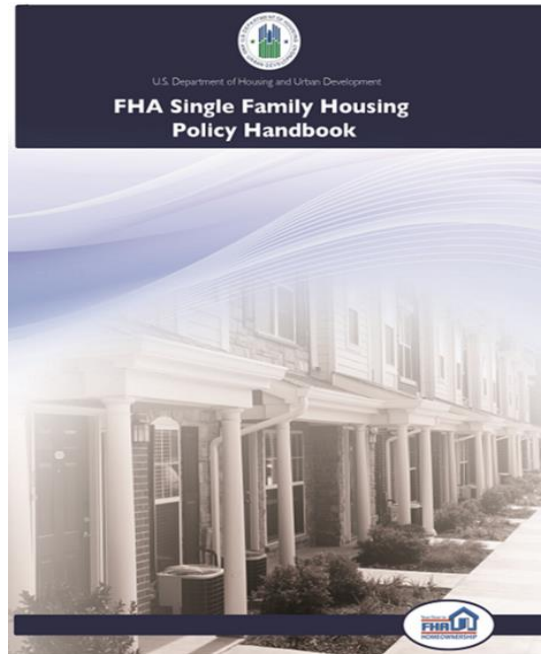


# Disclaimer regarding the Effective date of Handbook 4000.1

- On April 30, 2015, FHA announced that it extended the effective date for the policies contained in the *Single Family Housing Policy Handbook* (SF Handbook; HUD Handbook 4000.1) from June 15, 2015 to September 14, 2015.
- This training session was recorded prior to April 30, 2015. Please note the change of the effective date of SF Handbook during the presentation.



# Training: Origination Through Post-Closing/ Endorsement





# Module 7: Post-Closing and Endorsement

*Single Family Housing Policy Handbook 4000.1  
Title II Insured Housing Program Forward Mortgages  
Origination through Post-Closing/Endorsement*

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## **FHA Single Family Housing Policy Handbook**

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## Pre-Endorsement Review

- The Mortgagee must complete a pre-endorsement review of the mortgage file to ensure all applicable documents as described in the Uniform Case Binder Stacking Order are included in the endorsement submission.



# Pre-Endorsement Review and Endorsement Functions

- The Pre-Endorsement review and Endorsement functions **cannot** be conducted by staff involved in the:
  - Originating;
  - Processing; or
  - Underwriting of the mortgage.



## Pre-Endorsement Review Requirements

- A Mortgagee must review and verify specific documents during the Pre-Endorsement Review for:
  - Legibility;
  - Legal execution (signature and date); and
  - Completeness.



## Settlement Statement and Settlement Certification

- Confirm that the Settlement Statement or similar legal document and the **Settlement Certification**, if applicable, are complete and signed by the Borrower, seller (except in case of HUD Real Estate Owned (REO) Sales), and settlement agent.



# Handbook References: Model Forms

## Single Family Housing Handbook 4000.1 References

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/handbook\\_references](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/handbook_references)

### Single Family Housing Handbook 4000.1 References

This is an alphabetical list of links within Handbook 4000.1 that reference documents on HUD's website, external to the handbook. If you identify a missing or broken link, please take a moment to notify the [FHA Resource Center](#).

Handbook References
203(k) Related Documents
Appraisal Report and Data Delivery Guide
Electronic Appraisal Delivery (EAD)
Model Documents
TOTAL Mortgage Scorecard Developer's Guide



# Single Family Mortgages Model Documents

Single Family  
Mortgages  
Model  
Documents

FORWARD	REVERSE
<b>Notes, Mortgages, Agreements</b> <ul style="list-style-type: none"> <li>• ARM Note (eff. 1/10/15)</li> <li>• Mortgage Forward (9/14)</li> <li>• Note Forward (eff. 1/21/15)</li> <li>• Rehabilitation Loan Agreement (9/14)</li> </ul>	<b>Notes, Mortgages, Agreements</b> <ul style="list-style-type: none"> <li>• HECM ARM Loan Agreement (2/15)</li> <li>• HECM ARM Mortgage (2/15)</li> <li>• HECM ARM Mortgage Note (2/15)</li> <li>• HECM Fixed Rate Loan Agreement (2/15)</li> <li>• HECM Fixed Rate Mortgage (2/15)</li> <li>• HECM Fixed Rate Mortgage Note (2/15)</li> <li>• HECM ARM Second Mortgage (2/15)</li> <li>• HECM ARM Second Note (2/15)</li> </ul>
<b>Riders</b> All Products and Programs <ul style="list-style-type: none"> <li>• Condominium Rider (9/14)</li> <li>• Construction Rider (9/14)</li> <li>• Non-Owner Occupancy Rider (9/14)</li> <li>• Planned Unit Development Rider (9/14)</li> <li>• Settlement Certification (formerly "Addendum to HUD-1 Settlement Statement")</li> <li>• Water Purification Equipment Rider (9/14)</li> </ul>	<b>Riders</b> <ul style="list-style-type: none"> <li>• HECM ARM Repair Rider (2/15)</li> <li>• HECM Fixed Rate Repair Rider (2/15)</li> </ul>
<b>203(k) Rehabilitation Mortgages</b> <ul style="list-style-type: none"> <li>• Rehabilitation Loan Rider (9/14)</li> </ul>	<b>Other Documents</b> <ul style="list-style-type: none"> <li>• HECM ARM Payment Plan (2/12)</li> <li>• HECM Financial Assessment Worksheet (3/27)</li> <li>• HECM Fixed Rate Payment Plan (2/12)</li> <li>• HECM Scheduled Closing Costs (2/12)</li> </ul>
<b>247 Hawaiian Homelands</b> <ul style="list-style-type: none"> <li>• Sec. 247 Loan Rider (9/14)</li> </ul>	
<b>248 Mortgages on Indian Land</b> <ul style="list-style-type: none"> <li>• Sec. 248 Loan Rider (9/14)</li> <li>• Sec. 248 Residential Lease</li> <li>• Tax-Exempt Financing Rider</li> </ul>	



## Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in a Presidentially-Declared Major Disaster Areas (PDMDA)



# Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in PDMDA

- All properties with pending mortgages or endorsements in Presidentially-Declared Major Disaster Areas (PDMDA) must have a damage inspection report that identifies and quantifies any dwelling damage.
- The damage inspection report must be completed by an FHA Roster appraiser even if the inspection shows no damage to the property, and the report must be dated after the Incident Period (as defined by FEMA). FHA does not require a specific form for a damage inspection report.



# Inspection and Repair Escrow Requirements for Mortgages Pending Closing or Endorsement in PDMDA (cont.)

- Streamline Refinances are allowed to proceed to closing and/or endorsement without any additional requirements.



# Mortgages Pending Closing : Inspection and Repair Escrow Requirements in a PDMDA

Pending Mortgage Closure	
If...	Then...
The mortgage is not closed,	Inspect the property to determine damage exists. Provide on-site inspection with interior/exterior photographs.
No damage exists,	Close mortgage and document inspection.
Damage exists but is below \$5,000 and property is habitable,	Complete repairs and close mortgage or establish repair escrow and close mortgage.
Damage exists and is above \$5,000 or the property is not habitable,	Do not close mortgage. Repairs must be complete prior to closing.
When...	Then...
Repairs above \$5,000 are completed and inspected with interior/exterior photographs,	Document inspection and close mortgage.



# Mortgages Pending Endorsement: Inspection and Repair Escrow Requirements in a PDMDA

<b>Pending Mortgage Endorsement</b>	
<b>If...</b>	<b>Then...</b>
The mortgage is closed but not yet endorsed,	Inspect the property to determine if damage exists. Provide drive-by inspection with exterior photographs.
No damage exists,	Endorse mortgage and document inspection.
Damage exists but is below \$5,000 and property is habitable,	Complete repairs and endorse mortgage or establish repair escrow and endorse mortgage.
Damage exists and is above \$5,000 or the property is not habitable,	Do not endorse mortgage.
<b>When...</b>	<b>Then...</b>
Repairs above \$5,000 are completed and inspected with interior/exterior photographs,	Document inspection and endorse mortgage.



# Pre-Closing Appraisal Validity in Disaster Areas

- For mortgages that are not closed prior to the Incident Period, as defined by FEMA, in PDMDAs where a damage inspection report reveals property damage, the appraisal validity period is extended from 120 Days to a maximum of one year from the effective date of the original appraisal.
- In no instance will an appraisal be acceptable for a mortgage closing that has an effective date beyond one year.



## Procedures for Endorsement



## Procedures for Endorsement

- To initiate the insurance endorsement process, the Mortgagee must complete the Insurance Application function in FHAC and compile the uniform case binder, with all of the necessary documents.



## Procedures for Endorsement (cont.)

- Either the sponsoring Mortgagee, principal, or authorized agent must:
  - Complete the Mortgage Insurance Premium (MIP) Transmittal via FHAC or by batch;
  - Pay the Upfront MIP (UFMIP) to FHA in a lump sum within 10 Days after the date of mortgage closing or the Date of Disbursement, whichever is later;
  - Send the MIP to the FHA, and receive the payment status through FHAC or email communications;



## Procedures for Endorsement (cont.)

- Either the sponsoring Mortgagee, principal, or authorized agent must:
  - Submit evidence of assignment of the case for endorsement in the name of the originating Mortgagee;
  - Transfer the case number to another Mortgagee prior to closing;
  - Complete the Lender Transfer screen in FHAC; and
  - Complete the assignment of the mortgage after endorsement to a new holding or servicing Mortgagee via FHAC.



## Endorsement Eligibility

- The mortgage must be current to be eligible for endorsement.



## **Late UFMIP Payments: 10-30 Days**

- A one-time late charge of 4 percent is assessed on an UFMIP payment received more than 10 calendar Days after the mortgage closing or Disbursement Date, whichever is later.
- The Mortgagee must pay the late fee before FHA will endorse the mortgage for insurance.



## **Late UFMIP Payments: More than 30 Days**

- If the UFMIP is paid more than 30 calendar Days after mortgage closing or Disbursement Date, whichever is later, the Mortgagee will be assessed the late fee plus interest.
- The interest rate is the U.S. Department of the Treasury's Current Value of Funds Rate in effect when the UFMIP payment is received.
- The Mortgagee must pay both charges before FHA will endorse the mortgage for insurance.



## Case Binder: Assembly

The Mortgagee must:

- Prepare and submit a uniform case binder to the Jurisdictional HOC; and
- Ensure that all case binders are:
  - Complete;
  - Meet FHA specifications; and
  - Contain all required documents in the correct stacking order.



## Uniform Case Binder Format

- The Mortgagee must complete the front of the binder, and write the case number on the side and bottom tabs of the binder.

Binder Color Directory	
Yellow	Mortgagees with Lender Insurance authority
Manila	Mortgagees without Lender Insurance authority
Green	Test Cases



# Uniform Case Binder

Uniform Binder Forms	
<u>New Forms</u>	<u>Eliminated Forms</u>
12 Month Chain of Title	Maximum Mortgage Worksheet HUD-92700
Automated Underwriting System (AUS) Feedback Certificate	
Initial and Final 1003	
Initial and Final 92900-A	
Requirement for all the Borrower's Credit Reports	



# Case Binder Submission: Direct Endorsement Non-Lender Insurance

- If the case binder is submitted more than 60 Days after the Disbursement Date, the Mortgagee must submit a late endorsement request, certifying that:
  - No Mortgage Payment is currently unpaid;
  - All escrow accounts for taxes, hazard insurance, and MIPs are current and intact, except for Disbursements that may have been made to cover payments for which the accounts were specifically established; and
  - Neither the Mortgagee nor its agents provided the funds to bring and/or keep the mortgage current or to bring about the appearance of an acceptable payment history.



# Direct Endorsement Non-Lender Insurance: NOR Reconsideration

- Notice of Return (NOR), the Mortgagee may request reconsideration for insurance endorsement.
- All requests for reconsideration must be received by the Jurisdictional HOC within the 60-Day endorsement submission period or within 30 Days of the issuance of the NOR, whichever is longer.
- If the request for reconsideration is submitted after this time period, the Mortgagee must follow the guidelines for late submission.



# Ineligible for Endorsement: Non-Lender Insurance

- If the mortgage is ineligible for insurance endorsement, FHAC issues an electronic NOR, which states the reasons for non-endorsement and any corrective actions that the Mortgagee must take.



# Ineligible for Endorsement: Permanently Reject Mortgages

- If the mortgage is permanently rejected for insurance endorsement, the Mortgagee must notify the Borrower that they do not have an FHA-insured mortgage and of the circumstances that made the mortgage ineligible for FHA insurance.
- The Mortgagee must obtain a refund of both the UFMIP and any periodic MIP paid by or on behalf of the Borrower, and apply the refund to the principal balance of the mortgage.



# Ineligible for Endorsement: Excessive Mortgage Amounts

- An excessive mortgage amount occurs when the Mortgagee closes a mortgage in an amount higher than what is permitted by FHA requirements.
- The mortgage is not eligible for insurance until the amount is reduced to within permissible limits.



# Ineligible for Endorsement: Correction for Excessive Mortgage Amounts

- The Mortgagee may choose to either:
  - Pay down the principal balance, or
  - Re-close the mortgage to an insurable amount.
- The Mortgagee must provide a copy of the payment ledger showing that the principal balance has been paid down to an insurable amount.



## Endorsement Processing: Lender Insurance (LI)

- Once the Mortgagee has completed:
  - The entry of all required data;
  - The pre-endorsement review; and
  - Satisfied itself that the mortgage meets HUD requirements
- The Mortgagee will click “yes” in the Insurance Decision field, enter the FHA Connection ID of the individual insuring the mortgage, enter the insurance date on the Insurance Application screen and click “send.”
- The Mortgagee must endorse the mortgage no later than 60 Days after the Disbursement Date.



## Lender Insurance (LI): Late Submission

- If the mortgage is endorsed more than 60 Days after the Disbursement Date, the Mortgagee must complete a late endorsement certification stating:
  - No Mortgage Payment is currently unpaid;
  - All escrow accounts for taxes, hazard insurance, and MIPs are current and intact, except for Disbursements that may have been made to cover payments for which the accounts were specifically established; and
  - Neither the Mortgagee nor its agents provided the funds to bring and/or keep the mortgage current or to bring about the appearance of an acceptable payment history.



## Lender Insurance (LI): Case Warnings

- Case warnings are issued by FHAC based on system edits. They identify issues that must be addressed before the mortgage can be insured.
- There are two kinds of case warnings: non-severe and severe.



# Lender Insurance (LI): Severe Case Warnings

- Severe case warnings are case warnings that make the mortgage ineligible for Lender Insurance (LI), which include:
  - A Borrower failed or is pending SSN validation;
  - A Borrower has a record in CAIVRS;
  - The pre-endorsement delinquency status is delinquent; or
  - A deficiency exists causing risks to HUD. The requesting HOC will add text to the case warning message screen identifying the reasons requiring submission of the case binder to the HOC for a pre-endorsement review.



# Lender Insurance (LI): Non-Severe Case Warnings

- Non-severe case warnings are warnings to provide guidance to the Mortgagee that conditions have been detected and must be researched before the mortgage can be endorsed.
- If, after researching the matter, the Mortgagee determines that HUD requirements have not been violated, the Mortgagee may re-submit the mortgage for insurance in FHAC.



# Mortgagee with Conditional Direct Endorsement Approval (Test Case)

- A Mortgagee who has not yet received unconditional Direct Endorsement (DE) approval must ensure that the required certifications are executed, assemble the closing package, and return the package to the Jurisdictional HOC that underwrote the mortgage.



# Mortgagee with Conditional Direct Endorsement Approval (Test Case) (cont.)

- For Test Cases, the Mortgagee must:
  - Submit a complete closing package in the order specified in the Closing Documents Requirements Checklist that is provided to the Mortgagee during the Entrance Conference;
  - Include credit and property approval conditions (placed at the bottom of the closing package); and
  - Place a cover sheet identifying the mortgage as a pre-closing Test Case, along with the FHA case number, as the top sheet inside the package and write “TEST CASE” in large letters on the front of a plain manila folder.



# Endorsement

- Upon successful completion of a pre-endorsement review either by FHA or the LI Mortgagee, an electronic Mortgage Insurance Certificate (MIC) will be issued.
- The mortgage becomes insured on the date the MIC is issued.



## Endorsement and Post-Endorsement



## Post-Endorsement

- **Confirming Status of the Mortgage Insurance Certificate (MIC):**
  - The Mortgagee can confirm the endorsement status of a mortgage using FHAC.



# Obtaining the Mortgage Insurance Certificate (MIC)

- The Mortgagee must specify whether it is to be prepared in the name of the originator (principal), or authorized agent, as it appears in HUD Systems.
- The MIC will be issued electronically. The Mortgagee can download and print copies of the MIC as needed.



# Corrections to the Mortgage Insurance Certificate (MIC)

- To obtain a correction to the MIC, the Mortgagee must submit the MIC Correction Request form to the FHA Resource Center.
- This form may be used to correct the property address, Borrower name, ADP Code, maturity and first payments dates, Principal and Interest (P&I), interest rate, SSN, FHA case number, mortgage amount, or other information contained in the MIC, or to add a co-Borrower.



# Corrections to Original Instruments

- The Mortgagee must follow applicable local law when making corrections to the original instruments.
- If new instruments are executed as required by local law, the Mortgagee must submit the new instruments prior to insurance endorsement.



# Case Binder Submission: Lender Insurance (LI) Mortgagees

- LI Mortgagees must submit the case binder to the Jurisdictional HOC (or other HUD office as identified in the notice) when requested by FHA.
- FHA will request the case binder through a daily email notification to the Mortgagee's contact person.
- If requested, the LI Mortgagee must submit the case binder within 10 business days of request.

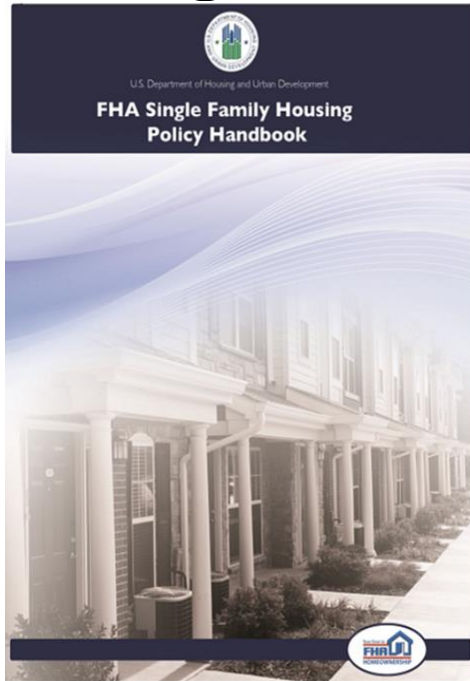


# Mortgage File Retention

- The Mortgagee must maintain their mortgage file, including the case binder, in either hard copy or electronic format for a period of two years from the date of endorsement.
- Mortgagees retaining eCBs are not required to maintain a separate version of the eCB indexed for electronic submission to HUD.



# Single Family Housing Policy Handbook 4000.1 Training Webcast Series



*Thank you for attending.*